

**CHARTER TOWNSHIP  
OF  
ROYAL OAK**

***ANNUAL REPORT***

**DECEMBER 31, 2005**

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Charter Township of Royal Oak	County Oakland
Fiscal Year End December 31, 2005	Opinion Date June 20, 2006	Date Audit Report Submitted to State June 29, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

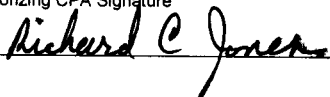
YES NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☒ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) R C Jones & Co.		Telephone Number 734-28/4-9779		
Street Address 20500 Eureka Rd. Ste 101		City Taylor	State MI	Zip 48180
Authorizing CPA Signature 		Printed Name Richard C. Jones		License Number 6925

**RC JONES & CO.**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
*A PROFESSIONAL CORPORATION*

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20500 Eureka, Suite 101  
Taylor, Michigan 48180  
(734) 284-9779  
Fax: (734) 284-2237

Independent Auditor's Report

To the Charter Township Board  
Charter Township of Royal Oak  
21131 Garden Lane, 2<sup>nd</sup> Floor  
Ferndale, MI 48220

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Charter Township of Royal Oak as of and for the year then ended December 31, 2005 which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards, generally accepted in the United States of America and the standards applicable to financial audits contained in Government Audits Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Charter Township of Royal Oak as of December 31, 2005 and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted accounting in the United States of America.

The administration's discussion and analysis and budgetary comparison information on page 3 through 10 and pages 33 through 49 are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Charter Township of Royal Oak's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in the relation to the basic financial statements taken as a whole.

*R C Jones & Co*

June 20, 2006

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the Charter Township of Royal Oak's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2005. Please read it in conjunction with the Township's financial statements.

### **FINANCIAL HIGHLIGHTS**

- The Township's net assets decreased by \$216,278. The governmental net assets decreased by \$601,600 and the business-type net assets increased by \$54,363.
- Of the \$1,837,759 reported in net assets, \$812,323 may be used to meet the ongoing obligations to citizens and creditors (unrestricted net assets).
- At the end of the fiscal year, the Township's governmental funds reported a combined ending fund balance of \$1,130,113, a decrease of \$601,600 from the previous year. Of this fund balance, approximately 100% is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, the unreserved undesignated fund balance for the General Fund was \$540,632.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components:

1. Government-wide financial statements.
2. Fund financial statements.
3. Notes to the financial statements.

The financial statement's focus is on both the Township as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow users to address relevant questions, broaden a basis for comparison (interpreted or intergovernmental) and enhance the Township's accountability. This report also contains supplementary information in addition to the basic financial statements which further explains and supports the information presented in these statements.

### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances. The Statement of Net Assets and the Statement of Activities are designed to be corporate-like in that all the governmental and business-type activities are consolidated into columns which add to a total for the Primary Government. These statements should help the reader to answer the question: Is the Township, as a whole, better off or worse off as a result of this year's activities. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting. The current year's revenues and expenses are recognized regardless of when cash is received or paid.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**(Continued)**

The focus of the Statement of Net Assets is designed to be similar to the bottom line results for the Township and its governmental and business-type activities. This statement combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations (total economic resources). This statement presents all of the Township's assets and liabilities, with the difference between the two reported as "net assets." Over time, increases and decreases in net assets may indicate whether the Township's financial position is improving or deteriorating. However, in order to assess the overall health of the Township, non-financial factors such as the Township's property tax base and condition of the Township's infrastructure may also need to be considered.

The Statement of Activities is focused on both the gross and net cost of the various activities (governmental, business-type, and component unit) which are supported by the Township's general tax and other revenues. This presentation is intended to summarize and simplify the user's analysis of the cost of the various governmental services and/or the subsidy to various business-type activities and/or component units. This statement shows how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying events occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both statements report two activities:

1. *Governmental Activities:* Most of the Township's basic services (i.e., police, fire, public works, parks, etc) are reported under this category. Taxes and intergovernmental revenues generally fund these services. The Township's governmental activities include general government, police, fire, building and safety, public works, recreation and culture, library, community enrichment and development, road maintenance and repair and tax refund.
2. *Business-Type Activities:* The Township charges fees to customers to help cover all or most of the cost of certain services it provides. The Township operates one business-type activity that reflects private sector type operations: Water and Sewer service.

### **FUND FINANCIAL STATEMENTS**

Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. These statements provide more detailed information about the Township's most significant funds (Major Funds), not the Township as a whole. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the Township uses to maintain control over resources that have been segregated for specific activities or objectives. In addition to major funds, the Township presents individual fund data for non-major funds in the supplementary information section. All of the funds of the Township can be divided in three categories: governmental, proprietary, and fiduciary. Each category uses different accounting approaches.



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**(Continued)**

### *Governmental Funds:*

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental fund statements are presented on a modified accrual basis, which focuses on the near-term sources and use of available resources. This is the manner in which the budget is typically developed. The Township establishes Funds for various purposes, and the Fund Financial Statements allow the demonstration of sources and uses and/or budgetary compliance associated therewith. Governmental Funds include the General Fund, special revenue funds, capital project funds, and debt service funds.

The focus of governmental funds (current financial resources) is narrower than that of the government-wide financial statements (total economic resources). Therefore, the reader may better understand the long-term impact of the Township's near-term financing decision by comparing information presented for governmental funds with the information presented for the governmental activities in the government-wide financial statements. Both the governmental funds' Balance Sheet, Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison.

Proprietary funds are used to account for services provided by the Township where the Township charges customers (whether external or internal) for the services it provides. These funds use accrual accounting; the same method used by private sector businesses. The Township maintains one type of proprietary fund. The enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses enterprise funds to account for its Water and Sewer service.

### *Fiduciary Funds:*

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. While these funds represent trust responsibilities of the Township, these assets are restricted in purpose and do not represent discretionary assets of the Township. Therefore, these assets are not reflected in the government-wide financial statements. The Township acts as a trustee or fiduciary for its employee deferred compensation plan. It is a trustee/agent for the other governmental units for which it collects tax payments. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The Township's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. These funds are reported using accrual accounting.

## **NOTES TO BASIC FINANCIAL STATEMENTS**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## **ADDITIONAL REQUIRED SUPPLEMENTARY INFORMATION**

Following the basic financial statements is additional required supplementary information that further explains and supports the information in the financial statements. The required supplementary information includes budgetary comparison schedules.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Continued)**

**NON-MAJOR GOVERNMENTAL FUNDS**

Following the required supplementary information is combining financial statements for non-major governmental funds. These funds are added together and presented in a single column in the basic financial statements, but are not reported individually, as with major funds, on the governmental fund financial statements.

**FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the Township's case, assets exceeded its liabilities at the end of the fiscal year by \$1,837,759. However, \$425,026 or 23.13.% of the Township's net assets represents its investment in capital assets (e.g., land, roads, storm sewers, water and sewer systems, building, and equipment) less any related debt used to acquire or construct these assets that is still outstanding. The Township uses these capital assets to provide essential services to citizens; therefore, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources because the capital assets themselves cannot be used to liquidate these liabilities

**TOWNSHIP OF ROYAL OAK'S NET ASSETS**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current and Other Assets	\$ 3,348,901	\$ 600,410	\$ 3,949,311
Capital Assets, Net of Accumulated Depreciation	<u>1,645,129</u>	<u>          </u>	<u>1,645,129</u>
Total Assets	4,994,030	600,410	5,594,440
Current Liabilities	2,595,527		2,595,527
Long-term Liabilities	<u>1,161,154</u>	<u>          </u>	<u>1,161,154</u>
Total Liabilities	3,756,681		3,756,681
Net Assets:			
Invested in Capital, Net of Related Debt	425,026		425,026
Restricted		600,410	600,410
Unrestricted	<u>812,323</u>	<u>          </u>	<u>812,323</u>
Total Net Assets	<u>\$ 1,237,349</u>	<u>\$ 600,410</u>	<u>\$ 1,837,759</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

Except for the \$256,227 invested in capital assets and the \$546,047 restricted, the Township may use the remaining balance of unrestricted net assets of \$1,251,763 to meet its ongoing obligations to citizens and creditors.

Further, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

**TOWNSHIP OF ROYAL OAK'S CHANGE IN NET ASSETS**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues:			
Program Revenues:			
Charges for Services	\$ 47,874	\$ 888,266	\$936,140
Operating Grants	51,432		51,432
General Revenues:			
Taxes and Special Assessments	1,888,303		1,888,303
State Shared	513,350		513,350
Assumption of Debt			
Other	422,287		422,287
Investment Earnings	<u>45,780</u>		<u>45,780</u>
Total Revenues	2,969,026	<u>888,266</u>	3,857,292
Expenses:			
General Government	894,027		894,027
Police	903,443		903,443
Fire	436,337		436,337
Building and Safety	4,038		4,038
Public Works	299,981		299,981
Recreation and Culture	324,576		324,576
Community Development	267,155		267,155
Interest on Long-Term Debt	30,533		30,533
Depreciation	79,577		79,577
Water and Sewer		<u>833,903</u>	<u>833,903</u>
Total Expenses	3,239,667	833,903	4,073,570
Increase in Net Assets	(270,641)	54,363	(216,278)
Net Assets, July 1, 2004	<u>1,507,990</u>	<u>546,047</u>	<u>2,054,037</u>
Net Assets, June 30, 2005	<u>\$1,237,349</u>	<u>\$600,410</u>	<u>\$1,837,759</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Continued)**

*Governmental Activities:*

Governmental activities decreased the Township's net assets by \$601,600, thereby accounting for 100% of the total decrease in the net assets of the Township. Key factors of this increase are as follows:

- Decrease in revenue because of the annexation.

*Business-Type Activities:*

Business-type activities increased the Township's net assets by \$54,363.

**FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS**

As the Township completed the year, its governmental funds reported combined fund balances of \$1,130,113.

Of this total amount, \$1,130,113 (100%) was unreserved fund balance, which is available for appropriations for the general purpose of the funds.

*General Fund:*

The General Fund is the chief operating fund of the Township. At the end of the current fiscal year, the unreserved fund balance was \$540,632. Total fund balance decreased by \$508,547 during the fiscal year.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

*Capital Assets:*

The Township investment in capital assets for its governmental activities as of June 30, 2005 amounts to \$1,645,129 (net of accumulated depreciation). This investment includes a broad range of capital assets, which are detailed in the table below. The total decrease in the Township's net investment in capital assets for the current fiscal year was \$33,225.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

**NET CAPITAL ASSETS AT YEAR END**  
(in thousands of dollars)

	Governmental <u>2004</u>	Activities <u>2005</u>
Capital assets not depreciated:		
Land	\$ 240,000	\$ 240,000
Unallocated	982	
Capital assets being depreciated:		
Computers	24,054	26,436
Equipment	1,167	22,505
Infrastructure	1,272,901	1,202,551
Landscaping Equipment	175	222
Office Furniture	1,647	15,987
Vehicles	<u>137,429</u>	<u>137,428</u>
Net Capital Assets	<u>\$ 1,678,354</u>	<u>\$ 1,645,129</u>

Long-Term Debt:

At the end of the fiscal year, the Township had total long-term bonds and notes outstanding of \$1,526,619.

**OUTSTANDING DEBT AT YEAR END**

	Governmental <u>Activities</u>
General Obligation Bonds (Backed by the Township)	\$ 1,220,103
Judgments Payable	247,576
Notes Payable	<u>58,940</u>
	<u>\$1,526,619</u>

State statutes limit the amount of general obligation debt the Township can issue to 10% of its total state equalized assessed value of property. The Township's total general obligation debt of \$1,526,619 is significantly lower than the current state-imposed limit.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Continued)**

**CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. Questions regarding any information provided in this report or request for additional financial information should be addressed to the following:

Charter Township of Royal Oak  
21131 Gardenlane, 2<sup>nd</sup> Floor  
Ferndale, MI 48220

**CHARTER TOWNSHIP OF ROYAL OAK**  
**STATEMENT OF NET ASSETS**  
**December 31, 2005**

	<b>Primary Government</b>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 753,315	\$ -	\$ 753,315
Accounts Receivable	217,887	600,410	818,297
Taxes Receivable	2,177,155	-	2,177,155
Due From Other Units	171,378		171,378
Inventories			-
Prepaid Expenditures	29,166		29,166
<b>Total Current Assets</b>	<u>3,348,901</u>	<u>600,410</u>	<u>3,949,311</u>
<b>Noncurrent Assets</b>			
Capital Assets	4,661,747	-	4,661,747
Less Accumulated Depreciation	(3,016,618)		(3,016,618)
<b>Total Noncurrent Assets</b>	<u>1,645,129</u>	<u>-</u>	<u>1,645,129</u>
<b>Total Assets</b>	<u>\$ 4,994,030</u>	<u>\$ 600,410</u>	<u>\$ 5,594,440</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payables	\$ 309,527	\$ -	\$ 309,527
Due Other Units	400,828		400,828
Note Payable	58,940		58,940
Judgements Payable	247,576		247,576
Accrued Interest	11,274		11,274
Deferred Revenue	1,508,433		1,508,433
Bonds Payable, Due within One Year	58,949		58,949
Compensated Absences	-		-
<b>Total Current Liabilities</b>	<u>2,595,527</u>	<u>-</u>	<u>2,595,527</u>
<b>Noncurrent Liabilities</b>			
Bonds Payable	1,161,154	-	1,161,154
Compensated Absences	-		-
<b>Total Noncurrent Liabilities</b>	<u>1,161,154</u>	<u>-</u>	<u>1,161,154</u>
<b>Total Liabilities</b>	<u>3,756,681</u>	<u>-</u>	<u>3,756,681</u>
<b>Net Assets</b>			
Investment in Capital Assets	425,026	-	425,026
Restricted		600,410	600,410
Unrestricted	812,323		812,323
<b>Total Net Assets</b>	<u>1,237,349</u>	<u>600,410</u>	<u>1,837,759</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 4,994,030</u>	<u>\$ 600,410</u>	<u>\$ 5,594,440</u>

See accompanying notes and accountant's report

**CHARTER TOWNSHIP OF ROYAL OAK**  
**STATEMENT OF ACTIVITIES**  
**December 31, 2005**

Functions/Programs	Program Revenues			Governmental
	Expenses	Charges for Services	Operating Grants	Activities Net (Expense) Revenues and Changes in Net Assets
<b>Governmental Activities</b>				
General Governmental	\$ 894,027	\$ -	\$ -	\$ (894,027)
Police	903,443	40,596		(862,847)
Fire	436,337			(436,337)
Building and Safety	4,038			(4,038)
Public Works	299,981			(299,981)
Recreation and Culture	324,576	7,278	4,736	(312,562)
Community Development	267,155		46,696	(220,459)
Interest on Long-Term Debt	30,533			(30,533)
Depreciation	79,577			(79,577)
	<u>3,239,667</u>	<u>47,874</u>	<u>51,432</u>	<u>(3,140,361)</u>
<b>Business-Type Activities</b>				
Water and Sewer	833,903	888,266	-	54,363
<b>Total Primary Government</b>	<u>\$ 4,073,570</u>	<u>\$ 936,140</u>	<u>\$ 51,432</u>	<u>\$(3,085,998)</u>

**Taxes**

Property Taxes, Levied for General Operations	1,699,734
Property Taxes, Levied for Debt Service	188,569
State Shared	513,350
Interest and Investment Earnings	45,780
Other	422,287
<b>Total General Revenues</b>	<u>2,869,720</u>

Change in Net Assets	(216,278)
Net Assets Beginning of Year	2,054,037
<b>Net Assets End of Year</b>	<u>\$ 1,837,759</u>

See accompanying notes and accountant's report



**CHARTER TOWNSHIP OF ROYAL OAK**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**December 31, 2005**

	General	Police	Fire	Debt Service Jacoboni	Other Nonmajor Governmental Funds	Totals
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 620,286	\$ 11,307	\$ 1,031	\$ -	\$ 120,691	\$ 753,315
Accounts Receivable	136,440	7,038	-	-	74,409	217,887
Due from Other Funds	197,415	154,158	137,676	66,986	317,292	873,527
Taxes Receivable - Current	142,130	476,588	408,504	130,833	343,491	1,501,546
Taxes Receivable - Delinquent	675,609		29,166			675,609
Prepaid Expenditures						29,166
Total Assets	<u>\$ 1,771,880</u>	<u>\$ 649,091</u>	<u>\$ 576,377</u>	<u>\$ 197,819</u>	<u>\$ 855,883</u>	<u>\$ 4,051,050</u>

<b>LIABILITIES AND FUND BALANCE</b>						
Liabilities						
Accounts Payables	\$ 69,206	\$ 79,742	\$ 18,157	\$ 66,986	\$ 75,436	\$ 309,527
Accrued Interest						-
Deferred Revenue	147,408	476,588	408,504	130,833	345,100	1,508,433
Due to Other Governmental Units	400,828					400,828
Due to Other Funds	613,806	55,231			33,112	702,149
Total Liabilities	<u>1,231,248</u>	<u>611,561</u>	<u>426,661</u>	<u>197,819</u>	<u>453,648</u>	<u>2,920,937</u>

Fund Balance						
Reserved Debt Service						-
Unreserved and Undesignated	540,632	37,530	149,716	-	402,235	1,130,113
Total Fund Balance	<u>540,632</u>	<u>37,530</u>	<u>149,716</u>	<u>-</u>	<u>402,235</u>	<u>1,130,113</u>
Total Liabilities and Fund Balance	<u>\$ 1,771,880</u>	<u>\$ 649,091</u>	<u>\$ 576,377</u>	<u>\$ 197,819</u>	<u>\$ 855,883</u>	<u>\$ 4,051,050</u>

Total Governmental Fund Balances \$ 1,130,113

Amounts reported for Governmental Activities in the Statement of Net Assets are different because capital assets used in Governmental Activities are not financial resources, and are not reported in the funds

Cost of Capital Assets	\$ 4,661,747
Accumulated Depreciation	(3,016,618)
	<u>1,645,129</u>

Long-Term Liabilities are not due and payable in the current period and are reported in the fund

Oakland County Drain	(1,220,103)
Judgements Payable	(247,576)
Notes Payable	(58,940)
Accrued Interest	(11,274)
Net Assets of Governmental Activities	<u>\$ 1,237,349</u>

See accompanying notes and accountants report

**CHARTER TOWNSHIP OF ROYAL OAK**  
**STATEMENT OF REVENUE, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**December 31, 2005**

	General	Public Safety	Fire	Debt Service Jacoboni	Other Nonmajor Governmental Funds	Totals
<b>Revenues</b>						
Local Sources	\$ 601,296	\$ 638,615	\$ 539,293	\$ 188,569	\$ 436,466	\$ 2,404,239
State Sources	513,350				4,736	518,086
Federal Sources					46,696	46,696
Interdistrict Sources						
Total Revenues	<u>1,114,646</u>	<u>638,615</u>	<u>539,293</u>	<u>188,569</u>	<u>487,898</u>	<u>2,969,021</u>
<b>Expenditures</b>						
Office Staff and Expenses	246,109					246,109
Supporting Services	982,275					982,275
Senior Center	99,247					99,247
Public Safety		881,300	459,257		30,666	1,371,223
Public Works					161,706	161,706
Community Development	63,602				203,553	267,155
Recreation and Culture					225,329	225,329
Debt Service				188,569	29,008	217,577
Operating Expense						
Total Expenditures	<u>1,391,233</u>	<u>881,300</u>	<u>459,257</u>	<u>188,569</u>	<u>650,262</u>	<u>3,570,621</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(276,587)	(242,685)	80,036	-	(162,364)	(601,600)
<b>Other Financing Sources (Uses)</b>						
Operating Transfers In					31,960	31,960
Proceeds from State Bond Loan						
Operating Transfers In/ Out	(231,960)	200,000				(31,960)
Total Other Financing Sources (Used)	<u>(231,960)</u>	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>31,960</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	(508,547)	(42,685)	80,036	-	(130,404)	(601,600)
<b>Fund Balance Beginning of Year</b>	1,049,179	80,215	69,680	-	532,639	1,731,713
<b>Fund Balance End of Year</b>	<u>\$ 540,632</u>	<u>\$ 37,530</u>	<u>\$ 149,716</u>	<u>\$ -</u>	<u>\$ 402,235</u>	<u>\$ 1,130,113</u>

See accompanying notes and accountant's report

**CHARTER TOWNSHIP OF ROYAL OAK**  
**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES**  
**AND CHANGE IN FUND BALANCE OF GOVERNMENTAL FUNDS TO**  
**THE STATEMENT OF ACTIVITIES**  
**December 31, 2005**

<b>Net Change in Fund Balance -Total Governmental Funds</b>	<b>\$ (601,600)</b>
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Amounts reported for Governmental Activities in the Statement of  
 Activities are different because

Governmental Funds report Capital Outlays as Expenditures; in the Statement  
 of Activities, these costs are allocated over their estimated useful lives  
 as Depreciation

Depreciation Expense	\$ (79,577)	
Capital Outlay	<u>46,352</u>	
		(33,225)

Accrued Interest is recorded in the Statement of Activities when incurred; it is not reported in Governmental Funds until paid	2,801
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Repayment of Bond Principal is an Expenditure in the Governmental Fund, but not in the Statement of Activities (where it reduces Long-Term Debt)	361,378
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Increases in Compensated Absences are reported as Expenditures when Financial Resources are used in the Governmental Funds	-
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<b>Change in Net Assets of Governmental Activities</b>	<b><u><u>\$ (270,646)</u></u></b>
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**CHARTER TOWNSHIP OF ROYAL OAK**  
**COMBINED STATEMENT OF REVENUE AND EXPENSES**  
**PROPRIETARY FUND**  
**For the Year Ended December 31, 2005**

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>Revenue:</b>			
Sewer Charges	\$ 326,781	\$ 450,834	\$ 777,615
Penalties	26,137	26,592	52,729
Permits	6,398	350	6,748
Other Revenue	26,329	24,845	51,174
	<u>385,645</u>	<u>502,621</u>	<u>888,266</u>
<b>Total Revenue</b>			
<b>Operating Expenses:</b>			
Cost of Services	216,305	400,447	616,752
Installation/Inspection Cost	12,744	76	12,820
Operation & Maintenance Cost	83,662	14,583	98,245
General & Administration	48,551	57,536	106,087
Meter Replacement Cost	-	-	-
	<u>361,262</u>	<u>472,642</u>	<u>833,904</u>
<b>Total Operating Expenses</b>			
Net Operating Income	24,383	29,979	54,362
Non-Operating Transactions			
Transfer to and from Reserves	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Income</b>	<u><u>\$ 24,383</u></u>	<u><u>\$ 29,979</u></u>	<u><u>\$ 54,362</u></u>

See accompanying notes and accountant's report

**CHARTER TOWNSHIP OF ROYAL OAK**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**For the Year Ended December 31, 2005**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net Income	\$ 54,362
Change in Current Assets and Liabilities	
Increase in Accounts Receivable	(54,362)
<b>Net Cash Provided by Operating Activities</b>	<b>\$ -</b>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Transfer to Reserves from Restricted	
Retained Earnings	
<b>Net Cash Used by Financing Activities</b>	<b>\$ -</b>

**NET INCREASE IN CASH AND  
CASH EQUIVALENTS**

**CASH AND CASH EQUIVALENTS**

Beginning of Year

**CASH AND CASH EQUIVALENTS**

End of Year

**\$ -**

See accompanying notes and accountant's report

**CHARTER TOWNSHIP OF ROYAL OAK  
STATEMENT OF FIDUCIARY NET ASSETS  
December 31, 2005**

**ASSETS**

**Current Assets**

Cash and cash equivalents	\$ 224,537
Due from Other Funds	2,922

<b>Total Assets</b>	<u><u>\$ 227,459</u></u>
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**LIABILITIES**

**Current Liabilities**

Escrow Deposits	\$ -
Due to Other Governmental Units	195,223
Undistributed Tax Collections	32,236

<b>Total Current Liabilities</b>	<u><u>\$ 227,459</u></u>
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See accompanying notes and accountant's report

**CHARTER TOWNSHIP OF ROYAL OAK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 1- SUMMARY OF SIGMFICANT ACCOUNTING POLICIES:**

The financial statements of the Township of Royal Oak, Michigan (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township of Royal Oak.

**REPORTING ENTITY** - The Township was organized as a charter township in 1974 and is located in southern Oakland County. A Supervisor and a Board of Trustees govern the Township. The Supervisor is the chief administrative and executive office of the Township and is elected at large for a two-year term in a non-partisan election and has voting power. The Board consists of four trustees, a clerk, and a treasurer who are also elected at large for four-year terms, in a non-partisan election. The reporting entities included in these financial statements are the Township of Royal Oak, the primary government and the Downtown Development Authority.

The basic criterion for including a potential component unit in the reporting entity is the governing body's ability to exercise oversight responsibility. Oversight responsibility includes the primary government being financially accountable for the potential component unit. Other oversight responsibilities include, but are not limited to, the selection of the governing authority, the designation of management, the ability to approve or modify the budget, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Township is able to exercise oversight responsibilities.

**BLENDED COMPONENT UNITS** - These types of component units are reported as though they were part of the primary government, using the blended method.

The intended purpose of the Downtown Development Authority (DDA) is to implement improvements to public facilities within the development area to comply with barrier free design requirements and to develop and implement long-range plans designed to halt the deterioration of the property values in the Downtown District. Funding for DDA is provided from the increased property tax revenues from any benefited property.

Separate financial statements of the DDA may be obtained from the Township offices.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS** - The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

**CHARTER TOWNSHIP OF ROYAL OAK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION** - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest, which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, sale of naming rights, intergovernmental revenues, and investment income.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.



**CHARTER TOWNSHIP OF ROYAL OAK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**FUND TYPES AND MAJOR FUNDS**

The Township reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Police Fund - Special Revenue Fund used to levy and collect taxes for the operation of the Police department.

Fire Fund - Special Revenue Fund used to levy and collect taxes for the operation of the Fire department.

Downtown Development Authority (DDA) - DDA is a special revenue fund created to prevent deterioration, encourage historical preservation and promote economic growth within the downtown district.

In addition the Township reports on the following fund types:

Special Revenue Funds - The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds - Debt Service Funds are used to account for the annual payment of principal, interest and expenses in connection with certain long-term debt other than debt payable from the operation of an enterprise fund.

***PROPRIETARY FUND:***

Water and Sewer Fund - The Water and Sewer Fund is an Enterprise Fund. The Township operates one Enterprise Fund, which accounts for the operation of the Water and Sewer Systems. The fund is financed and operated in a manner similar to a private enterprise. The intent is that costs (expenses, including depreciation) of providing water and sewer services to the general public are recovered through user charges. The fund uses full accrual accounting based on Generally Accepted Accounting Principles (GAAP) and follows accounting and financial activities prescribed by the Financial Accounting and Standards Board (FASB) as long as it does not conflict with the

Governmental Accounting Standards Board (GASB) guidance.

***FIDUCIARY FUNDS:***

Agency Funds - Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, organizations, other governments or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**CHARTER TOWNSHIP OF ROYAL OAK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY**

**Bank Deposits and Investments** - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." Any residual balances outstanding between the governmental and business-type activities with fiduciary funds are reported in the government-wide financial statements as "due to other units."

**Inventories and Prepaid Items** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$250 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	37 years
Equipment	5 to 7 years
Furniture	5 to 7 years
Vehicles	7 years
Infrastructure	50 years

**Compensated Absences (Vacation and Sick Leave)** - It is the government's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end.

**CHARTER TOWNSHIP OF ROYAL OAK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**Long-Term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the term of the bonds using the interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Property Taxes** - All trade and property tax receivables are shown net of allowance for uncollectible amounts. Property taxes attach as an enforceable lien on property as of December 31 each year. Township taxes are levied and immediately due the following December 1 with final collection date March 31 without penalty. Taxes unpaid after March 31 are subject to interest, penalties and collection fees. Oakland County, Michigan (the "County") is responsible for the collection of real property taxes of the Township which are delinquent as of March 31 of each fiscal year. The County purchases from the Township all delinquent real property taxes from a tax payment fund established by the County. In return, the Township has assigned to the County all amounts payable to the Township from the taxpayers with respect to such delinquent real property taxes.

**NOTE 2 - MATERIAL VIOLATIONS OF LEGAL PROVISIONS**

**Deficit Fund Balances**

As of December 31, 2005, no fund has a material deficit.

**Budget**

State Law requires the adoption of a balanced budget for the General, Special Revenue and Debt Service Funds, as well as budget amendments as needed to prevent actual expenditures from exceeding the amount appropriated. The Township adopts their budget by department and the following is a list of departments that over expended the budget:

Several departments in the general fund over expended the budgeted amounts. See page 33. As shown on page 44, the special revenue funds did have any expenditure in excess of the budgeted amount. No budget was adopted for the Debt Service funds.

**CHARTER TOWNSHIP OF ROYAL OAK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 3 - BALANCE SHEET CASH AND INTEREST-BEARING DEPOSITS**

At December 31, 2005, the carrying value of the Township's cash was \$977,852. Of the bank balance, \$405,246 was covered by federal depository insurance and \$572,606 was uninsured.

	<u>Carrying Amount</u>
General Fund	\$ 620,286
Special Revenue	85,262
Debt Service Funds	6
Downtown Development	47,761
Trust and Agency Fund	224,537
	977,852
Uninsured	<u>572,606</u>
Total Insured and Collateralized Deposits	<u>\$ 405,246</u>

**NOTE 4 - INTERFUND RECEIVABLE AND PAYABLES**

The amounts of interfund receivable and payables, including interfund loans, are as follows:

	<u>Receivable</u>	<u>Payable</u>
General	\$ 197,419	\$ 613,806
Police	154,158	55,231
Recreation	80,640	10,000
Street Lighting	67,601	
Disposal	76,133	
Library	37,243	
DDA	26,705	
Trust & Agency		174,303
Cop Grant	28,969	
Payroll	2,922	
Block Grant		23,112
Debt Service	66,985	
Fire	<u>137,677</u>	
Total	<u>\$ 876,452</u>	<u>\$ 876,452</u>

**CHARTER TOWNSHIP OF ROYAL OAK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 5 - DOWNTOWN DEVELOPMENT AUTHORITY**

In March 1992, the Township established a Downtown Development Authority for commercial development within the Township. The Authority was established under Public Act 197, of 1975, in which taxes recaptured will be used for commercial development.

**NOTE 6 - GENERAL LONG-TERM DEBT**

Notes Payable represents the amount due on the purchase of a fire truck. The installment note is a 7.5% interest rate and the monthly payment is \$2,115. The balance due on this note payable is \$35,870.

The Judgment Payable in the amount of \$247,576 is made up of two items. The first is a judgment entered against the Township in favor of Mr. Jacoboni. This judgment required the Township to levy millage which would payoff the judgment in five years. The balance due on this judgment at December 31, 2005 is \$223,913. The second judgment was in favor of the U.S. Justice Department. The Township is required to pay back \$156,914 of previously received COPS Grant monies. The amount due is payable in installments of \$28,966 per year, including interest at 3%. The balance due on this judgment at December 31, 2005 is \$23,663.

The Township is part of the George W. Kuhn drainage District of Oakland County. Oakland County has five outstanding bond issues, which the township is responsible for 1.2126% of the principal and interest payments. The Townships total share of the bond issues at December 31, 2005 is \$1,220,103.

In April of 2001, the Township lost a decision in front of the Employment Relations Commission of the state of Michigan. Part of this judgment required the Township to pay the firefighters retroactive pay. As of December 31, 2005, the has been settled and there was no retroactive pay required.

The Judgment for Mr. Jacoboni, the judgment for the U.S. Justice Department, and the County drain balances are shown net of Oak Park's portion due to the annexation.

**NOTE 7 - EMPLOYEE RETIREMENT SYSTEM**

Plan Description

Royal Oak Township participates in an agent multi-employer defined benefit pension plan with the Municipal Employee Retirement System (MERS), administered by the State of Michigan.

The MERS was organized pursuant to Section 12a of Act No. 156, Public Acts of 1851 (MSA 5.333 (a); MCLA 46.12a) as amended. The MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission.

**CHARTER TOWNSHIP OF ROYAL OAK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

Summary of Plan Provisions

The benefits summarized in this section are intended only as general information regarding the Michigan Municipal Employees Retirement System. They are not a substitute for Act

No. 220 of the Public Acts of 1996, as amended. If any conflict occurs between the information in this summary and Act No. 220 of the Public Acts of 1996, as amended, the provisions of Act No. 220 govern.

Eligibility for Retirement

Age 60 or 10 or more years of credited service (reduced to 8 or 6 years if either Benefit V-8 or V-6, respectively, is adopted).

Age 55 or 15 or more years of credited service (reduced benefit unless Benefit F55 is adopted).

Age 50 and 25 or more years of credited service (reduced benefit unless Benefit F50 is adopted).

Optional Retirement Programs (Unreduced Benefits)

F50 - Age 50 with a required period of credited service of either 25 or 30 years

F55 - Age 55 with a required period of credited service of 15, 20, 25 or 30 years

F (N) - Any age with a required period of credited service of either 20, 21, 22, 23, 24, 25, 26, 27, 28, 29 or 30 years

Mandatory Retirement

None.

Deferred Retirement

Termination of membership before age 60 other than by retirement or death, after 10 years of credited service (8 or 6 years if Benefit V-8 or V-6 is adopted). Retirement allowance begins upon application and satisfaction of the eligibility requirements for retirement. The deferred retirement allowance is computed in the same manner as a service retirement allowance, based on the benefit program in effect as of the date of termination of membership.

Rights to an allowance are forfeited if the member's accumulated contributions are withdrawn.

**CHARTER TOWNSHIP OF ROYAL OAK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

Service Retirement Allowance

Credited service at time of termination of membership is multiplied by:

Benefit A	1.0% of a member's 5-years final average compensation (FAC). Benefit A may not be adopted after January 2, 1986.
Benefit B	Contact MERS office for details. Benefit B may not be adopted after January 2, 1986.
Benefit C New	1.3% of FAC.
Benefit C Old	Sum of 1.0% times the first \$4,200 of FAC, plus 1.5% times the portion of FAC over \$4,200. Benefit C Old may not be adopted after January 2, 1986.
Benefit C-1 New	1.5% of FAC.
Benefit C-1 Old	Sum of 1.2% times the First \$4,200 of FAC, plus 1.7% times the portion of FAC over \$4,200. Benefit C-1 Old may not be adopted after January 2, 1986.
Benefit B-1	1.7% of FAC.
Benefit C-2	2.0% of FAC, payable until attainment of the age at which unreduced Social Security benefits are available (currently age 65 for normal retirement, gradually increasing to age 67). Upon attainment of this age, the benefit reverts to the basic Benefit A, C New, C Old, C-1 New, C-1 Old or B-1.
Benefit B-2	2.0% of FAC.
Benefit B-3	2.25% of FAC, with a maximum benefit of 80% of FAC.
Benefit B-4	2.5% of FAC, with a maximum benefit of 80% of FAC.

Final Average Compensation

MERS plan benefits are based on a member's final average compensation (FAC). For this purpose, final average compensation means one-fifth of the aggregate amount of compensation paid a member during the period of 5 consecutive years of the member's credited service in which the aggregate compensation paid is highest, known as FAC-5. Adoption of Benefit FAC-3 results in final average compensation being averaged over 3 years, instead of 5 years.

The retirement allowance is reduced  $\frac{1}{2}$  of 1% for each complete month that retirement precedes the age at which full normal retirement benefits are available. The reduction may be partially or fully waived by adopting Benefit F55 and/or F50 and/or F(N).

**CHARTER TOWNSHIP OF ROYAL OAK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

Disability Retirement Allowance

The plan provides for coverage upon total and permanent disability while employed by a participating municipality and after meeting the vesting requirement of the benefit program. The service requirement is waived if the disability is due to service-connected causes.

The allowance is computed in the same manner as a service retirement allowance, except that the reduction for retirement before age 60 is not applied.

If disability is due to service-connected causes, the amount of the retirement allowance shall not be less than 25% of the member's final average compensation.

Adoption of optional Benefit Program D-2 will provide a retirement allowance for a service-connected disability that is the greater of:

- (i) 25% of the member's final average compensation; or
- (ii) 10 years of credited service in addition to the member's actual period of service provided the total years of service do not exceed the greater of 30 years or the member's actual period of service.

Non-Duty Death Allowance

If a member or vested former member with the minimum years of service required to be vested dies before retirement, a monthly survivor allowance may be payable.

If a member is married, the spouse is the automatic beneficiary unless the spouse, in writing, declines a benefit in favor of another named beneficiary.

A contingent survivor beneficiary (named in an Option II Contingent Beneficiary Designation form filed with MERS) will receive a retirement allowance computed in the same manner as a service retirement allowance, but reduced to reflect an Option II (100% joint and survivor) election. The reduction for retirement before age 60 is not applied.

If there is no named beneficiary and the member leaves a spouse, the spouse will receive a survivor allowance. Payment of a retirement allowance to the surviving spouse of a deceased member commences immediately. Payment of a retirement allowance to the surviving spouse of a deceased vested former member commences on the date the member would have first satisfied eligibility for retirement for an unreduced service retirement allowance. The amount of a surviving spouse's retirement allowance shall be 85% of the deceased member's or deceased vested former member's accrued retirement allowance computed in the same manner as a service retirement allowance, based on service and final average compensation at time of death.



**CHARTER TOWNSHIP OF ROYAL OAK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

If there is no named beneficiary and no retirement allowance being paid to a surviving spouse, unmarried children under age 21 will be paid an equal share of 50% of the deceased member's or deceased vested former member's accrued retirement allowance. The reduction for retirement before age 60 is not applied.

If no retirement allowance becomes payable at death, the member's accumulated contributions are paid to the beneficiary.

Duty-Connected Death

A duty death allowance computed in the same manner as a non-duty death allowance may be payable to a spouse or children if death occurs as a result of performance of duty with a participating municipality. The vesting requirement is waived, and the minimum benefit is 25% of the deceased member's final average compensation.

Adoption of optional Benefit Program D-2 will provide a retirement allowance for a service-connected death that is the greater of:

- (i) 25% of the member's final average compensation; or
- (ii) 10 years of credited service in addition to the member's actual period of service provided the total years of service do not exceed the greater of 30 years or the member's actual period of service.

Member Contributions

Each member contributes a percent of annual compensation, as selected by the municipality. Any percentage from 0% to 10% (in 0.1% increments) may be selected. A 3%/5% contribution program was available prior to 1985 and may be continued, but not adopted after 1984. Under this program the member contributes 3% of the first \$4,200 of annual compensation and 5% of portions over \$4,200.

If a member leaves the employment of the municipality, or dies, without a retirement allowance or other benefit payable on his account, the member's accumulated contributions plus interest (at a rate determined by MERS) are refunded with spousal consent, to the member, if living, or to the member's surviving spouse, if any or to a named beneficiary (after spousal consent, if applicable).

Post-Retirement Adjustments

Benefit E – provides a one-time benefit increase to present to retirants and beneficiaries. The amount of the increase is equal to a fixed percentage of the present benefit or a fixed dollar amount times the number of years since the later of retirement or the date specified in the resolution. Benefit E may be readopted from time to time.

**CHARTER TOWNSHIP OF ROYAL OAK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

Benefit E-1 - provides automatic 2.5% annual non-compounded benefit increases to persons (and their beneficiaries) retired before the effective date of Benefit E-1. Increases are limited to increases in the consumer price index.

Benefit E-2 - provides automatic 2.5% annual non-compounded benefit increases to persons (and their beneficiaries) retired on or after the effective date of Benefit E-2. Increases are limited to increases in the consumer price index.

Death-After-Retirement Surviving Spouse Benefit

A retiring member electing form of payment SL (straight life retirement allowance) is normally paid a lifetime retirement allowance, with payments terminating at death. The retiring member could provide benefits to a surviving spouse by electing Option II (100% continuation to beneficiary) or Option II-A (75% continuation to beneficiary) or Option III (50% continuation to beneficiary). A surviving spouse is automatically the beneficiary to an Option II, IIA or III allowance unless the spouse, in writing, relinquishes the benefit to the member electing a straight life allowance or to another named beneficiary. Electing these alternate forms of payment would lower the retiring member's retirement allowance.

If Benefit Program RS50% is adopted, a member retiring on or after the effective date of Benefit RS50% may elect form of payment SL and still provide a 50% survivor benefit to the member's spouse. To be eligible for a surviving spouse benefit the retiring member and spouse must have been married to each other both at the time of death and during the full one year period just before retirement.

GASB 25 and GASB 27 Information

The annual report is available at the Township Hall.

**NOTE 10 - IMPLEMENTATION OF THE LOCAL GOVERNMENT FISCAL RESPONSIBILITY ACT**

On March 22, 1989, the State Treasurer implemented the preliminary review provisions of the Local Government Fiscal Responsibility Act. On April 18, 1989, the State Treasurer made his report to the Governor, finding that a serious financial problem may exist in the Township. On July 14, 1989, the Governor appointed a review team for the Township. On September 14, 1989, the Township entered a Consent Agreement with the review team.

That agreement calls for a Financial Manager with specified duties including the development of a financial plan.

On June 21, 1990, the Township Board adopted the financial plan, which was approved by the Department of Treasury in May 1990. Certain major provisions of the plan have not been implemented as of the date of the auditor's report.

**CHARTER TOWNSHIP OF ROYAL OAK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 11 - COMMUNITY DEVELOPMENT BLOCK GRANT**

The Township receives an allocation of funds from the Federal Government under the Community Development Block Grant. The funds are dispersed from the Federal Government to Oakland County. Oakland County in turn monitors and disperses these funds on a cost reimbursement basis to individual vendors or contractors. The purpose of this grant is to enforce Township ordinances, condemnation/demolition, disposition, public services, planning and development, and contingencies. The Township's allocation for 2005 amounted to \$46,696, which is below the requirements of the \$300,000 Single Audit Act.

**NOTE 12 - DEFERRED COMPENSATION**

The Township does not participate in a deferred compensation plan. However, the employees of the Township have elected to participate in their own plan through payroll deductions.

**NOTE 13 - POST-EMPLOYMENT BENEFITS**

The Township provides health care benefits to retirees. The benefits are paid monthly from the General Fund. The total cost to the Township for health care benefits for the year ended December 31, 2005 was \$220,927.

**NOTE 14 - OTHER MATTERS**

During the year part of the Township was annexed by the Township of Oak Park. The Township and the Township of Oak Park settled the division of assets and liabilities relating to this annexation.

**NOTE 15 - TAXES RECEIVABLE AND DEFERRED REVENUE**

There is \$675,609 of delinquent taxes as of December 31, 2005. The Township records deferred revenue for property taxes billed as of December 1 that are to be used in the next year's budget. Taxes receivable and deferred revenues represents the tax levy as of December 1, 2005 that will be used for the 2005 budget.

**CHARTER TOWNSHIP OF ROYAL OAK**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 16- CAPITAL ASSETS**

The Township investment in capital assets for its governmental activities as of December 31, 2005 amounts to \$1,645,129 (net of accumulated depreciation). This investment includes a broad range of capital assets, which are detailed in the table below. The total decrease in the Township's net investment in capital assets for the current fiscal year was \$33,225.

**NOTE 17- HOUSING COMMISSION**

The activities of the Royal Oak Township Housing Commission are not included in these financial statements. The activities of the Commission for the fiscal year ended March 31, 2005 are reported in a separate report.

**CHARTER TOWNSHIP OF ROYAL OAK**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Year Ended December 31, 2005**

	<u>Budgeted Amounts</u>		Actual Budgetary Basis Actual	Favorable (Unfavorable) Final Budget
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Local Sources	\$ 584,097	\$ 601,296	\$ 584,097	\$ 17,199
State Sources	707,025	513,350	707,025	(193,675)
Federal Sources				
Interdistrict Sources				
Total Revenues	<u>1,291,122</u>	<u>1,114,646</u>	<u>1,291,122</u>	<u>(176,476)</u>
<b>Expenditures</b>				
Trustees	11,765	11,767	11,765	(2)
Supervisor	60,501	65,678	60,501	(5,177)
Election	11,650	6,778	11,650	4,872
General Administrative	485,851	848,485	485,851	(362,634)
Clerk Department	98,281	95,112	98,281	3,169
Treasurer	61,835	66,774	61,835	(4,939)
Building & Grounds	106,691	129,752	106,691	(23,061)
Community Development	43,844	63,602	43,844	(19,758)
Inspection	47,173	4,038	47,173	43,135
CDBG Grant	6,294	-	6,294	6,294
Senior Center	130,716	99,247	130,716	31,469
Total Expenditures	<u>1,064,601</u>	<u>1,391,233</u>	<u>1,064,601</u>	<u>(326,632)</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>226,521</u>	<u>(276,587)</u>	<u>226,521</u>	<u>(503,108)</u>
<b>Other Financing Sources (Uses)</b>				
Operating Transfers In				
Operating Transfers Out	<u>(238,500)</u>	<u>(231,960)</u>	<u>(238,500)</u>	<u>6,540</u>
Total Other Financing Sources (Used)	<u>(238,500)</u>	<u>(231,960)</u>	<u>(238,500)</u>	<u>6,540</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(11,979)</u>	<u>(508,547)</u>	<u>(11,979)</u>	<u>(496,568)</u>
<b>Budgetary Fund Balance Beginning of Year</b>		1,049,179	1,049,179	-
<b>Budgetary Fund Balance End of Year</b>	<u>\$ (11,979)</u>	<u>\$ 540,632</u>	<u>\$ 1,037,200</u>	<u>\$ (496,568)</u>

**CHARTER TOWNSHIP OF ROYAL OAK**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**December 31, 2005**

	Special Revenue Funds										Debt Service		Nonmajor Governmental	
											Fund		Funds	
	Street Lighting		Disposal System		Library		Community Dev-BG		Law Enforc BG		Cops Grant		DDA Fund	
	Recreation													Total
ASSETS														
Cash and Cash Equivalents	\$ 3,249	\$ 40,188	\$ 625	\$ 27,640	\$ -	\$ 1,222	\$ 6	\$ 47,761	\$ 120,691					
Taxes Receivable	95,471	27,234	85,139	52,852				82,795	343,491					
Accounts Receivable					23,112			51,297	74,409					
Due from Other Funds	80,640	67,601	76,133	37,243			28,970	26,705	317,292					
Total Assets	\$ 179,360	\$ 135,023	\$ 161,897	\$ 117,735	\$ 23,112	\$ 1,222	\$ 28,976	\$ 208,558	\$ 855,883					
LIABILITIES AND FUND BALANCE														
LIABILITIES														
Accounts Payables	\$ 11,971	\$ 7,437	\$ 10,839	\$ 1,885	\$ -	\$ -	\$ 28,976	\$ 14,328	\$ 75,436					
Due to Other Funds	10,000				23,112				33,112					
Deferred Revenue	95,471	27,234	85,139	54,461				82,795	345,100					
Total Liabilities	117,442	34,671	95,978	56,346	23,112	-	28,976	97,123	453,648					
FUND BALANCE														
Restricted for Debt Service														
Restricted for Capital Improvements	61,918	100,352	65,919	61,389		1,222	-	\$ 111,435	402,235					
Unreserved and Undesignated	61,918	100,352	65,919	61,389	-	1,222	-	111,435	402,235					
Total Fund Balance														
Total Liabilities and Fund Balance	\$ 179,360	\$ 135,023	\$ 161,897	\$ 117,735	\$ 23,112	\$ 1,222	\$ 28,976	\$ 208,558	\$ 855,883					

**CHARTER TOWNSHIP OF ROYAL OAK**  
**COMBINING STATEMENT OF REVENUE AND EXPENDITURES AND CHANGE IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**December 31, 2005**

	Special Revenue Funds						Debt Service Fund	DDA Fund	Nonmajor Governmental Funds
	Recreation	Street Lighting	Disposal System	Library	Community Dev-BG	Law Enforce BG			
<b>REVENUES</b>									
Local Sources	\$ 117,723	\$ 34,135	\$ 106,671	\$ 66,535	\$ -	\$ -		\$ 76,034	\$ 401,098
Taxes	18,258	254	1,783	12,030		55		2,988	35,368
Other Local Sources									
State Sources				4,736					4,736
State Aid and Grants									
Federal Sources					23,386	23,310			46,696
Federal Grants					23,386	23,365		79,022	487,898
Total Revenues	135,981	34,389	108,454	83,301	23,386	23,365			
<b>EXPENDITURES</b>									
Current Operations					8,523	22,143			30,666
Public Safety		42,928	118,778						161,706
Public Works								203,553	203,553
Community Development				90,642	14,863		29,008		225,329
Recreation and Culture	119,824								29,008
Debt Service		42,928	118,778	90,642	23,386	22,143	29,008	203,553	650,262
Total Expenses	119,824	42,928	118,778	90,642	23,386	22,143	29,008	203,553	650,262
Excess (Deficiency) of Revenues Over Expenditures	16,157	(8,539)	(10,324)	(7,341)	-	1,222	(29,008)	(124,531)	(162,364)
<b>Other Financing Sources (Uses)</b>							31,960		31,960
Operating Transfers In									
Operating Transfers Out							31,960		31,960
Total Other Financing Sources (Used)									
Net Change in Fund Balances	16,157	(8,539)	(10,324)	(7,341)	-	1,222	2,952	(124,531)	(130,404)
Fund Balance Beginning of Year	45,761	108,891	76,243	68,730			(2,952)	235,966	532,639
Fund Balance End of Year	\$ 61,918	\$ 100,352	\$ 65,919	\$ 61,389	\$ -	\$ 1,222	\$ -	\$ 111,435	\$ 402,235

**CHARTER TOWNSHIP OF ROYAL OAK**  
**GENERAL FUND STATEMENT OF REVENUES**  
**OPERATING BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2005**

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
<b>TAXES</b>			
Current Taxes	\$ 217,606	\$ 189,253	(28,353)
Payment In Lieu of Taxes	6,409	5,892	(517)
Administration Fee - Tax	35,000	37,603	2,603
	<u>259,015</u>	<u>232,748</u>	<u>(26,267)</u>
 <b>GENERAL OPERATIONS</b>			
Cable TV Fee	28,000	23,105	(4,895)
Business License	7,000	8,860	1,860
Fines and Forfeits		3,557	3,557
Rental Registration			-
Interest Income		37,292	37,292
Rental Income	4,500	5,500	1,000
Oakland County			-
CDBG Funds	5,000		(5,000)
DDA Commitment	25,000		(25,000)
Land Sales	75,000	5,720	(69,280)
Other Revenues	65,716	23,247	(42,469)
Other Revenues Escrow		174,303	174,303
Miscellaneous - Deposit/Refund			-
Dog License	100	29	(71)
	<u>210,316</u>	<u>281,613</u>	<u>71,297</u>
 <b>BUILDING</b>			
Registration/Contractor License		2,037	2,037
Plumbing Permits	2,500	1,635	(865)
Electrical Permits	7,500	5,444	(2,056)
Building Permits	10,000	19,106	9,106
Mechanical Permits	9,500	2,794	(6,706)
Annual Inspection Fees	7,500	5,358	(2,142)
Rental Inspection Fees	1,500		(1,500)
Landlord Inspection Fees		785	785
Planning Commission Fees	2,500	71	(2,429)
Zoning Board Fee	150	55	(95)
Site Plan Review Fee	2,500	5,511	3,011
Four In One - Inspection	400	100	(300)
	<u>\$ 44,050</u>	<u>\$ 42,896</u>	<u>\$ (1,154)</u>



**CHARTER TOWNSHIP OF ROYAL OAK  
GENERAL FUND STATEMENT OF REVENUES  
OPERATING BUDGET AND ACTUAL  
For the Year Ended December 31, 2005**

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
<b>SENIOR CENTER</b>	<u>\$ 70,716</u>	<u>\$ 44,039</u>	<u>\$ (26,677)</u>
<b>STATE SHARED</b>			
State Rev. Sh- Sales Tax	374,423	212,442	(161,981)
State Rev. Sh- Income Tax	<u>332,602</u>	<u>300,908</u>	<u>(31,694)</u>
<b>Total State Shared Revenue</b>	<u>707,025</u>	<u>513,350</u>	<u>(193,675)</u>
<b>TRANSFERS</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Revenue</b>	<u><u>\$ 1,291,122</u></u>	<u><u>\$ 1,114,646</u></u>	<u><u>\$ (176,476)</u></u>

**CHARTER TOWNSHIP OF ROYAL OAK**  
**GENERAL FUND STATEMENT OF EXPENDITURES**  
**OPERATING BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2005**

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
<b>TRUSTEES</b>			
Per Diem - Township Board	\$ 10,000	\$ 10,400	\$ (400)
Payroll Taxes	765	796	(31)
Conferences	1,000	525	475
Membership Dues	-	46	(46)
	<u>11,765</u>	<u>11,767</u>	<u>(2)</u>
 <b>SUPERVISOR</b>			
Salary - Supervisor	20,000	20,000	-
Deputy Supervisor	6,000	5,769	231
Clerical	21,339	25,947	(4,608)
Payroll Taxes	3,162	4,224	(1,062)
Hospitalization	7,500	7,557	(57)
Employee Insurance		885	(885)
Conferences	500	359	141
Office Supplies	500	891	(391)
Membership Dues	1,500	46	1,454
	<u>60,501</u>	<u>65,678</u>	<u>(5,177)</u>
 <b>ELECTION</b>			
Per-Diem Election	\$ 6,500	\$ 2,367	\$ 4,133
Overtime	500	161	339
Payroll Taxes	150	56	94
Insurance		21	(21)
Operating Supplies	2,500	2,282	218
Printing and Publishing	1,500	861	639
Conferences		950	(950)
Membership Dues		80	(80)
Professional & Contract Service	500		500
	<u>11,650</u>	<u>6,778</u>	<u>4,872</u>

**CHARTER TOWNSHIP OF ROYAL OAK**  
**GENERAL FUND STATEMENT OF EXPENDITURES**  
**OPERATING BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2005**

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
<b>GENERAL ADMINISTRATIVE</b>			-
Employee Insurance	95,519	128,279	(32,760)
Retirees Insurance	1,800	1,093	707
Life Insurance	4,200	5,055	(855)
Other Fringe Benefits	21,770	13,701	8,069
Worker's Compensation	2,000		2,000
Conferences	12,500	15,321	(2,821)
Office Supplies and Expense	75,000	40,605	34,395
Operating Supplies and Expense	3,510	250	3,260
News Letter Publication	5,000	87	4,913
Pagers	5,000	240	4,760
Pest Control		1,913	(1,913)
Contractual Services	21,000	33,617	(12,617)
Telephone	3,500	6,826	(3,326)
Printing and Publishing	54,426	36,096	18,330
Insurance and Bonds	10,000	14,092	(4,092)
Electricity	12,000	14,928	(2,928)
Heating	7,500		7,500
Water Charges	6,500	27,166	(20,666)
Repairs and Maintenance	1,250	20,995	(19,745)
Miscellaneous		3,109	(3,109)
Membership Dues	2,000	22,051	(20,051)
Computer Expense	1,000	65	935
Training/Education		109,902	(109,902)
Tax Refunds	18,000	13,921	4,079
Capital Outlay		14,215	(14,215)
Drain Debt		140,000	(140,000)
Oak Park Settlement			
	<u>\$ 363,475</u>	<u>\$ 663,527</u>	<u>\$ (300,052)</u>

**GENERAL ADMINISTRATIVE**

**ATTORNEY FEES**

Contractual Services	-	15,102	(15,102)
Financial Analyst	18,000	23,337	(5,337)
Attorney Fees	90,000	78,289	11,711
Attorney Fees - Court	10,000	65,955	(55,955)
Audit	2,501	2,275	226
Assessing Fees	1,875	-	1,875
	<u>\$ 122,376</u>	<u>\$ 184,958</u>	<u>\$ (62,582)</u>

**CHARTER TOWNSHIP OF ROYAL OAK**  
**GENERAL FUND STATEMENT OF EXPENDITURES**  
**OPERATING BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2005**

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
<b>CLERK DEPARTMENT</b>			
Salary - Clerk	\$ 8,000	\$ 8,000	\$ -
Salary - Deputy Clerk	25,662	14,869	10,793
Admin/Bookkeeper	27,040	29,227	(2,187)
Salaries - Overtime	-	-	-
Payroll Taxes	4,644	4,721	(77)
Hospitalization	29,000	35,783	(6,783)
Employee Insurance	2,635	1,274	1,361
Conferences	1,000	926	74
Membership Dues	300	312	(12)
	<u>98,281</u>	<u>95,112</u>	<u>3,169</u>
<b>TREASURER</b>			
Salary - Treasurer	14,000	14,000	-
Salary - Deputy Treasurer	24,460	25,482	(1,022)
Payroll Taxes	2,942	3,221	(279)
Hospitalization	18,650	22,065	(3,415)
Employee Insurance	1,583	1,118	465
Office Supplies	200	842	(642)
Membership Dues	-	46	(46)
	<u>61,835</u>	<u>66,774</u>	<u>(4,939)</u>
<b>BUILDING &amp; GROUNDS</b>			
Salary	45,736	60,531	(14,795)
Salary Part Time	3,250	10,260	(7,010)
Overtime	500	-	500
Payroll Taxes	3,747	5,683	(1,936)
Hospitalization	18,500	24,796	(6,296)
Other Fringe Benefits	2,000	2,075	(75)
Employee Insurance	2,658	2,721	(63)
Operating Supplies and Expen	5,000	2,753	2,247
Gasoline	300	5,680	(5,380)
Repairs and Maintenance	1,000	112	888
Equipment Maintenance	4,000	3,554	446
Rental Alarm	8,000	468	7,532
Equipment	12,000	11,119	881
	<u>\$ 106,691</u>	<u>\$ 129,752</u>	<u>\$ (23,061)</u>

**CHARTER TOWNSHIP OF ROYAL OAK**  
**GENERAL FUND STATEMENT OF EXPENDITURES**  
**OPERATING BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2005**

	Budget	Actual	Favorable (Unfavorable)
<b>COMMUNITY DEVELOPMENT</b>			
Code Enforcement Officer	35,000	31,080	3,920
Payroll Taxes	2,944	2,232	712
Unemployment Compensation	-	777	(777)
Hospitalization	2,500	2,427	73
Employee Insurance	1,100	191	909
Electricity	500	635	(135)
Heating	300	-	300
Beautification	-	-	-
Contractual Services/Legal		6,345	(6,345)
Membership Dues		240	(240)
Maintenance Renovations	1,500	442	1,058
Water Charges	-	19,233	(19,233)
<b>TOTAL ADDED NEEDS</b>	<b>43,844</b>	<b>63,602</b>	<b>(19,758)</b>
<b>INSPECTION</b>			
Inspection	45,673	2,743	42,930
Operating Supplies and Expense	500	1,067	(567)
Membership Dues	500	150	350
Miscellaneous Expense	500	78	422
<b>TOTAL INSTRUCTIONAL SERVICES</b>	<b>47,173</b>	<b>4,038</b>	<b>43,135</b>
<b>CDBG GRANT</b>			
Planning	-	-	-
Community Center	2,500		2,500
Condemnation/Demolition	2,794		2,794
Code Enforcement	-		-
Public Safety Transportation			-
Public Service	1,000		1,000
<b>TOTAL SUPPORTING SERVICES</b>	<b>6,294</b>	<b>-</b>	<b>6,294</b>
<b>SENIOR CENTER</b>	<b>130,716</b>	<b>99,247</b>	<b>31,469</b>
<b>TRANSFERS</b>	<b>238,500</b>	<b>231,960</b>	<b>6,540</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,303,101</b>	<b>\$ 1,623,193</b>	<b>\$ (320,092)</b>

**CHARTER TOWNSHIP OF ROYAL OAK**  
**SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
**December 31, 2005**

	Police	Fire	Recreation	Street Lighting	Disposal System	Library	Community		Law	
							Development Block Grant	Enforcement Block Grant	Combined Total	
<b>ASSETS</b>										
Cash	\$ 11,307	\$ 1,031	3,249	40,188	625	27,640		1,222	85,262	
Taxes Receivable	476,588	408,504	95,471	27,234	85,139	52,852			1,145,788	
Accounts Receivable	7,038						23,112		30,150	
Prepaid Expenses		29,166							29,166	
Due from Other Funds	154,158	137,676	80,640	67,601	76,133	37,243			553,451	
<b>TOTAL ASSETS</b>	<b>\$ 649,091</b>	<b>\$ 576,377</b>	<b>\$ 179,360</b>	<b>\$ 135,023</b>	<b>\$ 161,897</b>	<b>\$ 117,735</b>	<b>\$ 23,112</b>	<b>\$ 1,222</b>	<b>\$ 1,843,817</b>	
<b>LIABILITIES AND FUND EQUITY</b>										
<b>LIABILITIES</b>										
Accounts Payable	\$ 79,742	18,157	11,971	7,437	10,839	1,885			130,031	
Due from Other Funds	\$ 55,231		10,000				23,112		88,343	
Deferred Revenues	476,588	408,504	95,471	27,234	85,139	54,461			1,147,397	
<b>TOTAL LIABILITIES</b>	<b>\$ 611,561</b>	<b>\$ 426,661</b>	<b>\$ 117,442</b>	<b>\$ 34,671</b>	<b>\$ 95,978</b>	<b>\$ 56,346</b>	<b>\$ 23,112</b>	<b>\$ -</b>	<b>\$ 1,365,771</b>	
<b>FUND EQUITY</b>										
Fund Balances	37,530	149,716	61,918	100,352	65,919	61,389	-	1,222	478,046	
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 649,091</b>	<b>\$ 576,377</b>	<b>\$ 179,360</b>	<b>\$ 135,023</b>	<b>\$ 161,897</b>	<b>\$ 117,735</b>	<b>\$ 23,112</b>	<b>\$ 1,222</b>	<b>\$ 1,843,817</b>	

**CHARTER TOWNSHIP OF ROYAL OAK**  
**SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**December 31, 2005**

	Police	Fire	Recreation	Street Lighting	Disposal System	Library	Community Development Block Grant	Law Enforcement Block Grant	Combined Total
<b>REVENUES</b>									
Local Sources									
Taxes	\$ 597,360	\$ 512,023	\$ 117,723	\$ 34,135	\$ 106,671	\$ 66,535	\$ -	\$ -	\$ 1,434,447
Other Local Sources	41,255	27,270	18,258	254	1,783	12,030		55	100,905
State Sources						4,736			4,736
State Aid and Grants									
Federal Sources							23,386	23,310	46,696
Federal Grants							<u>23,386</u>	<u>23,365</u>	<u>1,586,784</u>
<b>TOTAL REVENUES</b>	<u>638,615</u>	<u>539,293</u>	<u>135,981</u>	<u>34,389</u>	<u>108,454</u>	<u>83,301</u>			
<b>EXPENDITURES</b>									
Public Safety	881,300	459,257					8,523	22,143	1,371,223
Public Works				42,928	118,778				161,706
Recreation and Culture			119,824			90,642	14,863		225,329
<b>TOTAL EXPENDITURES</b>	<u>881,300</u>	<u>459,257</u>	<u>119,824</u>	<u>42,928</u>	<u>118,778</u>	<u>90,642</u>	<u>23,386</u>	<u>22,143</u>	<u>1,758,258</u>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<u>(242,685)</u>	<u>80,036</u>	<u>16,157</u>	<u>(8,539)</u>	<u>(10,324)</u>	<u>(7,341)</u>	<u>-</u>	<u>1,222</u>	<u>(171,474)</u>
Other Financing Sources									200,000
Interfund Transfers	200,000								
Fund Balance, January 1, 2005	80,215	69,680	45,761	108,891	76,243	68,730			449,520
<b>Fund Balance, December 31, 2005</b>	<u>\$ 37,530</u>	<u>\$ 149,716</u>	<u>\$ 61,918</u>	<u>\$ 100,352</u>	<u>\$ 65,919</u>	<u>\$ 61,389</u>	<u>\$ -</u>	<u>\$ 1,222</u>	<u>\$ 478,046</u>

**CHARTER TOWNSHIP OF ROYAL OAK**  
**COMBINED STATEMENT OF REVENUES AND EXPENDITURES - BUDGET**  
**AND ACTUAL - SPECIAL REVENUE FUNDS**  
**For the Year Ended December 31, 2005**

	Special Revenue Funds		
	Budget	Actual	Favorable (Unfavorable)
<b>REVENUES</b>			
Local Sources			
Taxes	\$ 1,441,363	\$ 1,434,447	\$ (6,916)
Other Local Sources	117,862	100,905	(16,957)
State Sources			
State Aid and Grants	4,700	51,432	46,732
Federal Sources			
<b>TOTAL REVENUES</b>	<b>1,563,925</b>	<b>1,586,784</b>	<b>22,859</b>
<b>EXPENDITURES</b>			
Public Safety	1,218,818	1,371,223	(152,405)
Public Works	128,903	161,706	(32,803)
Recreation and Culture	220,533	225,329	(4,796)
<b>TOTAL EXPENDITURES</b>	<b>1,568,254</b>	<b>1,758,258</b>	<b>(190,004)</b>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<b>(4,329)</b>	<b>(171,474)</b>	<b>(167,145)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating Transfers In	-	200,000	200,000
Operating Transfers Out			-
<b>TOTAL OTHER FINANCING     SOURCES (USES)</b>	<b>-</b>	<b>200,000</b>	<b>200,000</b>
<b>EXCESS (DEFICIT) REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>\$ (4,329)</b>	<b>\$ 28,526</b>	<b>\$ 32,855</b>



**CHARTER TOWNSHIP OF ROYAL OAK**  
**DEBT SERVICE FUNDS**  
**COMBINING BALANCE SHEET**  
**December 31, 2005**

	<u>COPS Grant</u>	<u>Jacoboni</u>	<u>Total</u>
<b>ASSETS</b>			
Cash	\$ 6	\$ -	\$ 6
Due from General Fund	\$ 28,970	\$ 66,986	\$ 95,956
Taxes Receivable		130,833	130,833
<b>TOTAL ASSETS</b>	<u><b>\$ 28,976</b></u>	<u><b>\$ 197,819</b></u>	<u><b>\$ 226,795</b></u>
<b>LIABILITIES AND FUND EQUITY</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 28,976	\$ 66,986	\$ 95,962
Due to Other Funds	-		-
Deferred Revenues		130,833	130,833
<b>FUND EQUITY</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u><b>\$ 28,976</b></u>	<u><b>\$ 197,819</b></u>	<u><b>\$ 226,795</b></u>

**CHARTER TOWNSHIP OF ROYAL OAK**  
**DEBT SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**For the Year Ended December 31, 2005**

	<u>COPS Grant</u>	<u>Jacoboni</u>	<u>Total</u>
<b>REVENUES</b>			
Property Tax Levy	\$ -	\$ 188,569	\$ 188,569
Interest			-
Other			
<b>TOTAL REVENUES</b>	<u>-</u>	<u>188,569</u>	<u>188,569</u>
<b>EXPENDITURES</b>			
Principal Payments	26,508	188,569	215,077
Interest	2,458		2,458
Fees and other	42		42
<b>TOTAL EXPENDITURES</b>	<u>29,008</u>	<u>188,569</u>	<u>217,577</u>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<u>(29,008)</u>	<u>-</u>	<u>(29,008)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In/Out	31,960		31,960
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>31,960</u>	<u>-</u>	<u>31,960</u>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)</b>	<u>2,952</u>	<u>-</u>	<u>2,952</u>
<b>FUND BALANCES, January 1, 2005</b>	<u>(2,952)</u>	<u>-</u>	<u>(2,952)</u>
<b>FUND BALANCES, December 31, 2005</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CHARTER TOWNSHIP OF ROYAL OAK**  
**COMBINED STATEMENT OF REVENUES AND EXPENDITURES - BUDGET**  
**AND ACTUAL - DEBT SERVICE FUNDS**  
**For the Year Ended December 31, 2005**

	Debt Retirement Funds		
	Budget	Actual	Favorable (Unfavorable)
<b>REVENUES</b>			
Local sources			
Taxes	\$ -	\$ 188,569	\$ 188,569
Other local sources			-
State sources			
State aid, unrestricted			
Restricted grants			
Federal sources			
<b>TOTAL REVENUES</b>	<u>-</u>	<u>188,569</u>	<u>188,569</u>
<b>EXPENDITURES</b>			
Principal payment		215,077	(215,077)
Interest and other		2,458	(2,458)
Payment of escrow agent			
Other payments		42	(42)
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>217,577</u>	<u>(217,577)</u>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<u>-</u>	<u>(29,008)</u>	<u>(29,008)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from state loan		31,960	31,960
Operating transfers in/out			
<b>TOTAL OTHER FINANCING     SOURCES (USES)</b>	<u>-</u>	<u>31,960</u>	<u>31,960</u>
<b>EXCESS (DEFICIT) REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>\$ -</u>	<u>\$ 2,952</u>	<u>\$ 2,952</u>

**CHARTER TOWNSHIP OF ROYAL OAK**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**ALL AGENCY FUNDS**  
**For the Year Ended December 31, 2005**

	Balance Jan 1, 2005	Additions	Deductions	Balance Dec. 31, 2005
<b>TRUST AND AGENCY</b>				
<b>ASSETS</b>				
Cash	\$ 312,508	\$ 3,240	\$ 120,525	\$ 195,223
Due From Other Funds	254,155	0	254,155	\$ -
<b>Total Assets</b>	<b>\$ 566,663</b>	<b>\$ 3,240</b>	<b>\$ 374,680</b>	<b>\$ 195,223</b>
<b>LIABILITIES</b>				
Escrow Deposits	\$ 365,514	\$ -	\$ 365,514	\$ -
Due to Other Governmental Uni	6,969		6,969	-
Due to Other Funds	173,259	1,044		174,303
Trust Account	20,920		0	20,920
<b>Total Liabilities</b>	<b>\$ 566,662</b>	<b>\$ 1,044</b>	<b>\$ 372,483</b>	<b>\$ 195,223</b>
<b>PAYROLL</b>				
<b>ASSETS</b>				
Cash	\$ 30	\$ 694,804	\$ 697,756	\$ (2,922)
Due From Other Funds	-	2,922	-	2,922
<b>Total Assets</b>	<b>\$ 30</b>	<b>\$ 697,726</b>	<b>\$ 697,756</b>	<b>\$ 0</b>
<b>LIABILITIES</b>				
Due to Other Funds	\$ 30	\$ -	\$ 30	\$ -
Other Liabilities	-			
<b>Total Liabilities</b>	<b>\$ 30</b>	<b>\$ -</b>	<b>\$ 30</b>	<b>\$ -</b>

**CHARTER TOWNSHIP OF ROYAL OAK**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**ALL AGENCY FUNDS**  
**For the Year Ended December 31, 2005**

	Balance Jan. 1, 2005	Additions	Deductions	Balance Dec. 31, 2005
<b>TAX COLLECTION</b>				
<b>ASSETS</b>				
Cash	\$ 17,845	\$ 2,639,630	\$ 2,625,239	\$ 32,236
Due From Other Funds	143,613		143,613	-
<b>Total Assets</b>	<b>\$ 161,458</b>	<b>\$ 2,639,630</b>	<b>\$ 2,768,852</b>	<b>\$ 32,236</b>
<b>LIABILITIES</b>				
Due to Other Funds	\$ 161,458	\$ -	\$ 161,458	\$ -
Undistributed Tax Collections	0	32,236		32,236
<b>Total Liabilities</b>	<b>\$ 161,458</b>	<b>\$ 32,236</b>	<b>\$ 161,458</b>	<b>\$ 32,236</b>
<b>COMBINED AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash	\$ 330,383	\$ 3,337,674	\$ 3,443,520	\$ 224,537
Due From Other Funds	397,768	2,922	397,768	2,922
<b>Total Assets</b>	<b>\$ 728,151</b>	<b>\$ 3,340,596</b>	<b>\$ 3,841,288</b>	<b>\$ 227,459</b>
<b>LIABILITIES</b>				
Escrow Deposits	\$ 365,514	\$ -	\$ 365,514	\$ -
Due to Other Governmental Units	6,969	-	6,969	-
Due to Other Funds	334,747	1,044	161,488	174,303
Trust Account	20,920		0	20,920
Undistributed Tax Collections	-	32,236	-	32,236
<b>Total Liabilities</b>	<b>\$ 728,150</b>	<b>\$ 33,280</b>	<b>\$ 533,971</b>	<b>\$ 227,459</b>

**RC JONES & CO.**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
*A PROFESSIONAL CORPORATION*

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20500 Eureka, Suite 101  
Taylor, Michigan 48180  
(734) 284-9779  
Fax: (734) 284-2237

June 29, 2006

Charter Township of Royal Oak  
21131 Garden Lane  
Ferndale, MI 48220

Dear Supervisor and Trustees:

In planning and performing our audit of the financial statements of the Charter Township of Royal Oak for the year ended December 31, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the organization's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Debt Service- Several debt service funds were established to help maintain ledgers and have revenues and expenses posted properly. However, these funds were not used during the audited year. We strongly recommend that debt service transactions be posted in the proper fund and that the township adopt a budget for the Debt Service funds.

Accounts Payable – On the general fund trial balance as presented to us at the beginning of the audit, accounts payable had a large debit balance, which is the opposite of normal, due to miss postings combined with system errors. We recommend that the recording of accounts payable through the system be discontinued and that paid invoices be charged directly to their corresponding expense.

On our initial review of the trial balances, there were several accounts that were obviously incorrect such as the large debit balance in accounts payable. We strongly recommend that transactions be reviewed monthly after cash is reconciled in order to promptly correct posting errors.

This report is intended solely for the information and use of the Charter Township of Royal Oak, its Board of Trustees, Supervisor and others within the Township and is not intended to be and should not be used by anyone other than these specified parties.

If you have any further questions regarding these comments and recommendations, please feel free to contact us.

Sincerely,

A handwritten signature in cursive script that reads "RC Jones & Co.".

RC JONES & CO.